

VZCZCXYZ0000
RR RUEHWEB

DE RUEHCV #0193 0462203
ZNY CCCCC ZZH
R 152203Z FEB 08
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC 0612
INFO RUEHBO/AMEMBASSY BOGOTA 7690
RUEHLP/AMEMBASSY LA PAZ FEB LIMA 0956
RUEHQT/AMEMBASSY QUITO 2770
RUCPDO/DEPT OF COMMERCE
RHEBAAA/DEPT OF ENERGY
RHEHNSC/NSC WASHDC
RUMIAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L CARACAS 000193

SIPDIS

SIPDIS

ENERGY FOR CDAY AND ALOCKWOOD
NSC FOR JCARDENAS AND JSHRIER

E.O. 12958: DECL: 02/14/2018
TAGS: [ECON](#) [ENRG](#) [EPET](#) [EINV](#) [PREL](#) [VE](#)
SUBJECT: PDVSA WILL PARTICIPATE IN ARBITRATION PROCESS WITH
EXXON MOBIL

REF: CARACAS 168

Classified By: ECONOMIC COUNSELOR ANDREW BOWEN, FOR REASON 1.4 (D)

¶1. (U) BRV Energy Minister and PDVSA President, Rafael Ramirez, in a Thursday, February 14, speech before the National Assembly on the ExxonMobil (XM) dispute stated: "We cannot refuse to address the agreements that the previous congress and PDVSA administration made....PDVSA is disposed to comply with compensation for ExxonMobil but only up to USD 750 million" which Ramirez stated is the book value of investments of ExxonMobil in the Cerro Negro Strategic Association (reftel). Ramirez blamed the "Apertura Petrolera" agreements, which included the right to international arbitration, on the previous governments and previous PDVSA officials, and advocated legal prosecution of those former officials. "The old PDVSA permitted international arbitration and handed over national sovereignty," Ramirez said.

¶2. Comment: (C) Ramirez's two-hour speech was largely a screed against XM, the USG and the old PDVSA for giving away Venezuelan sovereignty. Nevertheless, he indicated that PDVSA would comply with international arbitration decisions regarding XM and other cases. He emphasized that an agreement was close to being reached with ConocoPhillips who also filed for arbitration. Ramirez realizes that non-compliance with previously signed agreements would have a significant negative impact on any future PDVSA negotiations and PDVSA ability and cost to access international financing. It also appears that the USD 750 million book value figure that Ramirez quoted may be an opening bid which will most likely be disputed by XM. Industry media sources have reported that the estimated value of the XM stake in the Cerro Negro Strategic Association is USD 1.5 billion.

DUDDY